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PAGE 01 OECD P 28560 01 OF 03 272258Z

67

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

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E.O. 11652: N/A

TAGS: EGEN, OECD

SUBJECT: EXECUTIVE COMMITTEE IN SPECIAL SESSION (XCSS)

MEETING NOV. 25-26: INVESTMENT ISSUES AND DATE OF NEXT XCSS

1. SUMMARY. DISCUSSION OF INVESTMENT/MNE ISSUES REFLECTED MAJOR DIFFERENCES WHICH THREATENED TO KEEP MEETING FROM REACHING ANY CONCLUSIONS ON THIS AGENDA ITEM. AUSTRALIANS AND CANADIANS BASICALLY OPPOSED TO ANY WORK IN THIS FIELD (EXCEPT ON MNE'S) AND OTHER DELS UNHAPPY AT LACK OF "BALANCE" BETWEEN WORK ON INVESTMENT AND MNE ISSUES. XCSS REFUSED TO APPROVE SECRETARIAT PROPOSALS FOR CONSULTATION PROCEDURES AND GUIDELINES RE INCENTIVES/DISINCENTIVES AND NATIONAL TREATMENT AND INSTEAD ACCEPTED PACKAGE DEAL WHICH WOULD CONSIDER THESE ITEMS TOGETHER WITH STANDARDS FOR MNE'S. AGREEMENT ULTIMATELY REACHED THAT XCSS RECOMMEND TO COUNCIL ESTABLISHMENT OF A "PROVISIONAL" INVESTMENT COMMITTEE TO DEVELOP THE PACKAGE NOTED ABOVE. EXPECTATION IS THAT COUNCIL WILL BE ABLE TO CONSIDER ESTABLISHMENT OF NEW INVESTMENT COMMITTEE IN EARLY JANUARY. WIDESPREAD AGREEMENT ON NEED FOR OECD FORUM IN WHICH TO DISCUSS OECD/LDC INVESTMENT ISSUES IN LIGHT OF ACTIVITY IN

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PAGE 02 OECD P 28560 01 OF 03 272258Z

VARIOUS UN BODIES. END SUMMARY.

2. IN SPITE OF SHARP DIFFERENCES, SKILLFUL CHAIRMANSHIP AND WORK BY SECGEN ENABLED XCSS TO ULTIMATELY REACH SPECIFIC DECISIONS ON THREE ISSUES. FIRST, IT DECIDED (DESPITE INITIAL US, SWISS AND GERMAN CONTRARY POSITIONS) THAT OECD WORK ON INVESTMENT INCENTIVES/DISINCENTIVES, NATIONAL TREATMENT AND MNC'S MUST BE DEALT WITH IN A "BALANCED MANNER" AND REFUSED TO APPROVE SECRETARIAT PROPOSALS FOR GUIDELINES AND CONSULTATIONS RE THE FORMER TWO ITEMS UNTIL FURTHER PROGRESS IS MADE ON MNC'S. IN THIS REGARD, IT ACCEPTED A UK PROPOSAL FOR A "PACKAGE DEAL" IN WHICH PROPOSALS RE INCENTIVES/DISINCENTIVES AND NATIONAL TREATMENT IN ANNEXES I AND II OF CE(74)15 WOULD BE CONSIDERED TOGETHER WITH PROPOSALS FOR (1) THE CREATION OF A PERMANENT INVESTMENT COMMITTEE AND (2) A NEW ANNEX III RE MNE'S WHICH WOULD INCLUDE PROVISIONS FOR EXCHANGE OF INFORMATION ON MNE'S, STANDARDS OF CONDUCT FOR MNE'S AND CONSULTATION PROCEDURES RE MNE'S. SECOND, IT AGREED TO MOVE THE CURRENT INVESTMENT EXERCISE OUT OF THE XCSS AND TO RECOMMEND TO THE COUNCIL THE ESTABLISHMENT OF A PROVISIONAL INVESTMENT COMMITTEE TO DEAL WITH INTERNATIONAL INVESTMENT AND MNE'S. GENERAL TERMS OF REFERENCE WOULD BE DRAFTED BY SECRETARIAT ON BASIS OF XCSS DISCUSSION AND WOULD INCLUDE THE WORKING OUT OF THE DETAILS OF THE "PACKAGE DEAL" NOTED ABOVE. IT IS EXPECTED THAT THE COUNCIL WILL BE ABLE TO CONSIDER ESTABLISHMENT OF THE PROVISIONAL COMMITTEE IN JANUARY. XCSS WOULD RETAIN ABILITY TO CONSIDER INVESTMENT ISSUES IN FUTURE IF IT SO DESIRED. THIRD, IT AGREED TO USE THE OECD (PRESUMABLY THE NEW INVESTMENT COMMITTEE) AS A FORUM FOR CONSULTATIONS ON INVESTMENT IN LDC'S.

3. LENGTHY AND UNFOCUSED DISCUSSION OF ISSUES PERTAINING TO INTERNATIONAL INVESTMENT AND MNE'S OCCUPIED AFTERNOON NOV. 25 AND ALL NEXT DAY. AUSTRALIA AND CANADA TOOK THE MOST EXTREME POSITIONS. AUSTRALIA OPPOSED ANY CONSIDERATION OF INVESTMENT/MNE ISSUES WITHIN OECD AND SAID THEY WOULD NOT WANT TO BE ASSOCIATED IN FURTHER OECD WORK ON INVESTMENT COMMITTEE. (SUBSEQUENT TO MEETING AUSTRALIAN PERMDEL INDICATED THIS LIMITED OFFICIAL USE

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PAGE 03 OECD P 28560 01 OF 03 272258Z

POSITION MIGHT BE RECONSIDERED AT COUNCIL). CANADA INDICATED THEY COULD PARTICIPATE IN PROPOSED PROVISIONAL COMMITTEE BUT WOULD NOT BE PREPARED TO DISCUSS NATIONAL TREATMENT WHICH THEY CHARACTERIZED AS A POTENTIALLY DIVISIVE ISSUE. MOST DELS (INCLUDING UK, FRANCE, JAPAN, SWEDEN AND EC) ASSERTED THAT WORK ON INVESTMENT/MNE ISSUES UNBALANCED WITH WORK ON MNE'S LAGGING BEHIND. UK, BY PROPOSING PACKAGE APPROACH,

MADE IT CLEAR THAT MNE CODE OF CONDUCT WAS ITS PRIME
OBJECTIVE AND THAT NATIONAL TREATMENT AND INCENTIVES/
DISINCENTIVES WERE TO BE PLAYED DOWN. UK REPS INDI-
CATED PRIVATELY THAT LABOR GOVERNMENT COULD NOT AGREE
TO ANY PROPOSAL UNLESS IT ALSO "LAID OBLIGATIONS ON

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PAGE 01 OECD P 28560 02 OF 03 272259Z

67

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LIMITED OFFICIAL USE SECTION 02 OF 03 OECD PARIS 28560

MNE'S" AS WELL AS GOVERNMENTS. THERE WAS LITTLE
SUPPORT (ONLY GERMANY AND THE EC) FOR US PROPOSAL THAT
CONSULTATION RE INCENTIVES/DISINCENTIVES BE AGREED
BY XCSS NOW WHILE WORK PROGRESSED ON MNE'S AND
NATIONAL TREATMENT. US ACCEPTANCE IN GENERAL OF
PROPOSALS IN CE(74)L5 AND NEED TO GET XCSS OUT OF
INVESTMENT BY ESTABLISHING NEW INVESTMENT COMMITTEE WAS
HOWEVER SUPPORTED IN GENERAL BY LARGE NUMBER OF OTHER
DELS. HOWEVER, WIDESPREAD CONCERN THAT WORK ON INVES
INVESTMENT PROCEEDING IN "UNBALANCED" FASHION MEANT
XCSS REFUSED TO ACT ON PROPOSALS FOR GUIDELINES AND
CONSULTATION RE INCENTIVES/DISINCENTIVES AND NATIONAL
TREATMENT UNTIL WORK ON MNE'S HAD PROGRESSED
FURTHER. SWISS INSISTED MNE EXERCISE COVER STATE

OWNED AS WELL AS PRIVATE COMPANIES. DISCUSSION OF SPECIFIC MNE ISSUES WAS GENERALLY SUPERFICIAL AND PRODUCED LITTLE HELPFUL GUIDANCE.

4. SEVERAL DELEGATIONS (IRELAND, FINLAND, DENMARK, PORTUGAL, ITALY, GREECE AND SPAIN) RAISED PROBLEMS WITH THE PROPOSALS FOR INVESTMENT INCENTIVES/DISINCENTIVATED OFFICIAL USE

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PAGE 02 OECD P 28560 02 OF 03 272259Z

TIVES IN ANNEX I OF CE(74)L5 - PARTICULARLY AS THEY MIGHT AFFECT THEIR REGIONAL DEVELOPMENT POLICIES OR MEMBERSHIP IN THE EC. SEVERAL OTHER DELEGATIONS (INCLUDING FRANCE AND CANADA) WANTED DRAFTING CHANGES TO NARROW THE SCOPE OF THE ANNEX I CONSULTATION PROCEDURES. MANY DELEGATIONS (INCLUDING FRANCE, GERMANY, BELGIUM AND NORWAY) HAD NO PROBLEM WITH THE PRINCIPLE OF NATIONAL TREATMENT BUT THERE WAS NO REAL ENTHUSIASM (EXCEPT US AND GERMANY) FOR OECD GUIDELINES. AUSTRALIA AND CANADA WERE ADAMANT THAT THEY COULD ACCEPT NO UNDERTAKING ON NATIONAL TREATMENT THAT WOULD LIMIT FLEXIBILITY IN DEVELOPMENT OF NATIONAL ECONOMIC POLICIES AND CANADA INDICATED IT COULD NOT EVEN DISCUSS NATIONAL TREATMENT IN THE OECD CONTEXT.

5. LARGE NUMBER OF DELEGATIONS, INCLUDING SCANDINAVIANS, GERMANS AND SWISS COMMENTED ON GROWING NEED FOR DISCUSSIONS AMONG OECD MEMBERS OF INVESTMENT/MNE ISSUES RELATING TO LDC'S, PARTICULARLY IN LIGHT OF DISCUSSIONS AND NEGOTIATIONS IN VARIOUS UN BODIES. THIS ELEMENT OF FUTURE OECD WORK ON INVESTMENT/MNE ISSUES, IN FACT, ELICITED GREATEST SUPPORT. DUTCH, FRENCH AND SWEDISH, HOWEVER, CAUTIONED AGAINST GIVING IMPRESSION OF "GIVING UP" ON LDC'S, AND DUTCH SUGGESTED DAC MIGHT BE MORE APPROPRIATE BODY IN WHICH TO DISCUSS OECD/LDC INVESTMENT ISSUES.

6. FOLLOWING CONSULTATIONS WITH SECGEN, JOLLES SUGGESTED NEXT XCSS MEETING BE TENTATIVELY SCHEDULED FOR MARCH 11-12, 1975, WHICH WOULD BE AFTER NEXT EPC MEETING AND WOULD ALSO ALLOW TIME FOR FIRST ASSESSMENT OF NEW INVESTMENT COMMITTEE. AFTER MEETING, JOLLES TOLD MEMBER US DELEGATION THAT HE WOULD LIKE NEXT XCSS MEETING TO CONCENTRATE ON TRADE MATTERS, PARTICULARLY FUTURE OF TRADE PLEDGE. HE IS CONCERNED THAT SITUATION IN INTERNATIONAL TRADE MIGHT DETERIORATE ABRUPTLY. HE WOULD ALSO LIKE EXCHANGE OF VIEWS ON MTN, ASSUMING US TRADE REFORM ACT IS APPROVED AND MTN COMMENCES IN FEBRUARY.

7. PROVISIONAL TEXT OF CHAIRMAN JOLLES AND SECGEN

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PAGE 03 OECD P 28560 02 OF 03 272259Z

VAN LENNEP'S DRAFT CONCLUSIONS RE INVESTMENT/MNE
DISCUSSION FOLLOWS:

"(1) THE COMMITTEE NOTED DOCUMENT CE(74)15 AND EX-
PRESSED ITS AGREEMENT WITH THE BASIC OBJECTIVES OF
REINFORCING COOPERATION BETWEEN MEMBER COUNTRIES IN THE
MATTER OF INTERNATIONAL INVESTMENT INCLUDING THE
ACTIVITIES OF MULTINATIONAL ENTERPRISES AND WITH THE
PRAGMATIC AND EVOLUTIONARY APPROACH SUGGESTED TO ACHIEVE
THESE OBJECTIVES.

(2) THERE WAS A CONSENSUS THAT WORK IN THE AREA OF
INTERNATIONAL INVESTMENT AND IN THE FIELD OF MULTI-
NATIONAL ENTERPRISES SHOULD PROGRESS IN A GENERALLY
BALANCED WAY. MORE WORK WOULD BE NEEDED IN ORDER TO
ESTABLISH THE DESIRED BALANCE. ON THE BASIS OF WHAT
HAS BEEN ALREADY ACHIEVED WORK SHOULD BEGIN AS SOON
AS POSSIBLE TO LEAD TO THE ESTABLISHMENT BY GOVERNMENTS
OF (1) IMPROVED ARRANGEMENTS FOR THE EXCHANGE OF INFOR-
MATION, FOR IMPROVEMENT AND HARMONIZATION OF STATISTICS
AND FOR UNIFORM STANDARDS TO BE REQUIRED OF MNE'S AND

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PAGE 01 OECD P 28560 03 OF 03 272253Z

67

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OTHER ENTERPRISES ENGAGED IN INTERNATIONAL INVESTMENT AND (2) INTERGOVERNMENTAL PROCEDURES FOR DEALING WITH POSSIBLE COMPLAINTS, AS A STAG IN A CONTINUING PROCESS OF DEVELOPING THE PROCEDURES FOR-DEAL OF THE ORGANIZATION IN THIS FIELD.

(3) AS TO THE PROPOSED GUIDELINES AND PROCEDURES DESIGNED TO ACHIEVE BETTER COOPERATION IN THE FIELD OF OFFICIAL INCENTIVES AND DISINCENTIVES (ANNEX I), THERE WAS A GENERAL AGREEMENT THAT THOSE WOULD BEST BE CONSIDERED IN CONJUNCTION WITH THE WORK UNDER PARAGRAPH 2. IN THE MEANTIME, RESERVATIONS WITH REGARD TO THE PROVISIONS DEALING WITH NOTIFICATION WERE EXPRESSED AND THE NEED TO CIRCUMSCRIBE THE SCOPE OF THE PROCEDURES WAS UNDERLINED.

(4) AS TO THE PRINCIPLE OF NATIONAL TREATMENT (ANNEX II), THE COMMITTEE NOTED THAT MOST MEMBER COUNTRIES OBSERVED THIS PRINCIPLE DE FACTO AND WOULD BE PREPARED TO ENTER INTO IMPROVED INTERNATIONAL COOPERATION IN THIS FIELD ON A RECIPROCAL BASIS. A FEW DELEGATIONS - WHILE NOT LIMITED OFFICIAL USE

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PAGE 02 OECD P 28560 03 OF 03 272253Z

OBJECTING TO IMPROVED COOPERATION IN THIS AREA - COULD NOT AT THIS STAGE UNDERTAKE A FORMAL COMMITMENT TO THE PRINCIPLE.

(5) THE COMMITTEE NOTED THE WISH OF MANY DELEGATIONS FOR CONSULTATIONS ON THE RELEVANT ISSUES TO BE BROUGHT UP IN THE UNITED NATIONS, IN PARTICULAR AS TO THE ASPECTS CONCERNING THE POSITION OF OECD HOME COUNTRIES OF MULTINATIONAL ENTERPRISES VIS-A-VIS THE DEVELOPING COUNTRIES.

(6) THE COMMITTEE AGREED TO RECOMMEND THE SETTING UP, ON A PROVISIONAL BASIS, OF A COMMITTEE WITHIN THE ORGANIZATION TO DEAL WITH ISSUES PERTAINING TO INTERNATIONAL INVESTMENT AND MULTINATIONAL ENTERPRISES. THE TERMS OF REFERENCE OF THIS COMMITTEE WOULD BE TO: --FURTHER REVIEW THE ISSUES MENTIONED IN PARTS I AND II OF DOCUMENT CE(74)15 WITH THE AIM OF WORKING OUT A BALANCED SOLUTION IN THESE FIELDS IN ACCORDANCE WITH

THE PRECEDING PARAGRAPHS;

--TO CONSIDER THE ORGANIZING OF CONSULTATIONS AMONG
MEMBER COUNTRIES ON ISSUES DEALT WITH UNDER PARTS I
AND II OF THIS DOCUMENT."

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